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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

MAY 15 1998

FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

In the Matter of)
)
Federal State Joint Board on)
Universal Service)
_____)

CC Docket NO. 96-45

COMMENT OF THE VIRGIN ISLANDS PUBLIC SERVICES COMMISSION

The Virgin Islands Public Services Commission ("PSC") is the public body charged by law with the right and responsibility to regulate the rates and services of public utilities in the United States Virgin Islands. The Virgin Islands Telephone Corporation ("Vitelco") is the exclusive land line telephone company providing telephone service in the United States Virgin Islands, which consists of 3 major populated islands, and many smaller islands and cays, some of which are inhabited. Telecommunications in the U.S. Virgin Islands links the small territory to the rest of the nation, and interconnects the residents of the various islands. The details of the islands topography, geography and demographics have been described to the FCC previously, both by Vitelco and by the PSC in other filings. In brief summary, the population of approximately 120,000 people is spread over the various islands, which themselves are separated by as much as 40 miles of ocean. The U.S. Virgin Islands has both one of the lowest average per capita incomes and one of the highest costs of living under the U. S. flag. Vitelco and the population of the Virgin Islands are profoundly dependent upon the continuation of the USF as a means of making telephone service affordable to the maximum proportion of the population.

In particular, the people of the Virgin Islands would be seriously harmed by the introduction of the cap on recoverable expenses through the high cost loop support mechanism, because any such cap would inevitably increase the cost of local telephone service, and thereby reduce access to telephone service for lower income residents of the territory. While the reasonableness of any category of expense of utility operation is always subject to legitimate review on a factual basis, the expenses of telephone companies in high cost areas cannot fairly be subjected to an arbitrary percentage cap.

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Any arbitrary cap on such expenses will tend to work against universal service in the Virgin Islands, and presumably in other rural and insular areas. Furthermore, the Virgin Islands could not be expected to bear the remaining 75% share of these excess costs. Indeed, the same factors that make a jurisdiction a high cost locale for supplying telephone service have tended to make the Virgin Islands a high cost locale in most other respects, and the corresponding condition as a low average per capita jurisdiction undercut the ability to fund this higher cost through increased taxes or other similar means. The practical effect of this type of cap would be to make it even more difficult for Virgin Islanders to afford telephone service, and far more difficult to afford any of the newer, more sophisticated communication services that promise to be the key to success in the future. It is not equitable in a country that is so devoted to equality that those citizens who live in high cost areas should not share equally in access to modern telecommunications because of an arbitrary limit on the mechanism devised to encourage universal service.


It is also important to recognize that while the 25% figure may have some theoretical support in the share of the loop costs allocated to interstate service, that is really not a good justification for adoption of a similar percentage for purposes of the USF, because universal service is not simply a goal to be pursued by the FCC for long distance communication. It is also a goal for local telecommunication. In addition to the equitable values served by encouraging universal service, all telephone subscribers in the country are benefited by a system which meaningfully encourages the availability of universal service to every other subscriber, even in the remote and high cost areas such as the Virgin Islands, because this inclusiveness increases the number and extent of others that each subscriber can reach by his own telephone. Also, the profound importance of universal service clearly includes the need of everyone in the nation to have access to telecommunications services at fairly comparable cost, both for local and for long distance service.

For these reasons, the Virgin Islands PSC concurs in the comments of Senator Conrad Burns, the Chairman of the Senate Subcommittee on Communications, as set forth in his letter of April 27, 1998 to the Chairman of the FCC, strongly endorsing the elimination of the arbitrary 25% cap on federal support for the high cost jurisdictions, such as Montana and the U.S. Virgin Islands. A full measure of support

under the FCC regulations, including 100% of the cost exceeding a reasonable national benchmark for affordability should be adopted.

Dated: 5/14/98

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Maria Tankenson Hodge", written over a horizontal line.

Maria Tankenson Hodge
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CERTIFICATE OF SERVICE

I hereby certify that on this 15th day of May, 1998, I caused copies of the foregoing
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